

# State of North Carolina

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**Motor Fleet Updates**

**January 2016**

# Agenda

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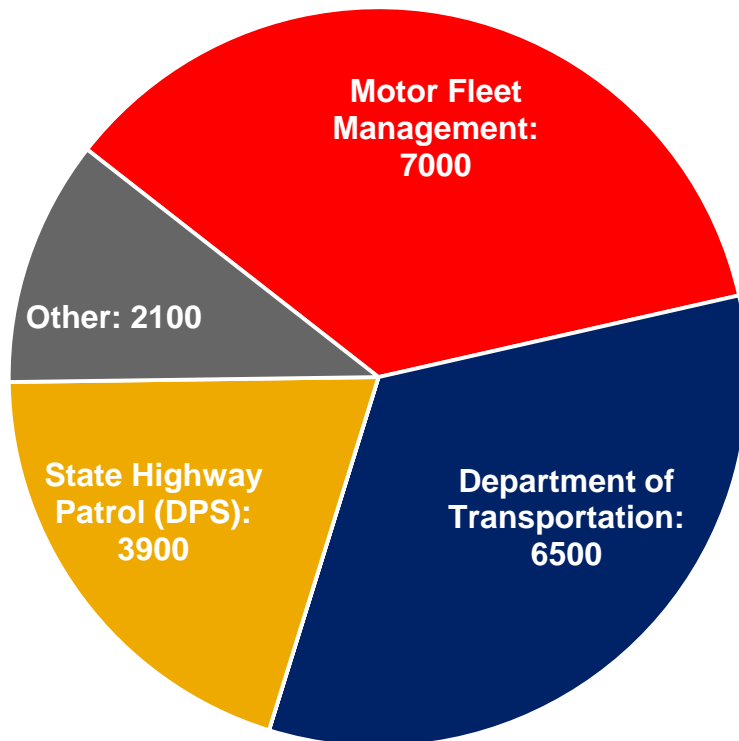
## **NC Motor Fleet Management**

- I. Overview of Motor Fleet**
- II. NC GEAR recommendation to privatize motor pool**
- III. Savings and costs associated with the transition**
- IV. DOA report on vehicles as required by Section 27.6c in the budget bill**
- V. Other improvements for Motor Fleet Management**

# I. Overview of Motor Fleet

The Motor Fleet Fund budget is in the Department of Administration for passenger vehicles. The fund is \$51.7m with 48 employees but vehicles exist in other Departments not under the purview of DOA.

## Approximate Number of Vehicles by Agency



Note: The exact number of vehicles owned by any agency typically changes weekly

## Current State Motor Fleet Challenges

- There is not a single system of record for vehicle related data
  - Reporting is time consuming and can be incomplete; including reporting necessary to enable best practice fleet management and legislative reporting
- No standard performance measures are used across agencies
- Telematics are not currently being utilized outside of the pilot program
- 24/7/365 support for end users is not available (Capital Police are currently used for off hours)
- Benchmarks and leading fleet practices across public and private sector are not being used to the fullest extent
- Minimal ability to improve operational cost within current delivery model
- Difficult to leverage solutions across agencies (FMS program will be able to be used by other agencies as there is interest in participating)

## II. NC GEAR Recommendation on Motor Pool

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### **What is the Motor Pool?**

- The current temporary, short-term rental program within DOA's Motor Fleet Management Division.
- It is within DOA but used by all agencies.
- Statutes are old and reference the word "Motor Pool" when referring to the entire "Motor Fleet".
- Only 150 of the 7,000 vehicles within Motor Fleet Management.
- No change to the existing permanently assigned vehicles.

### **What was the NC GEAR Recommendation and what was it based on?**

- To privatize the temporary, short-term rental program to enhance the level of service provided to all agencies.
- One of the greatest complaints received during the solicitation process with agencies.
- Vehicle cleanliness, reliability, and age were rated poorly.
- Access and difficulty in reserving and returning vehicles rated poorly.
- Only used for the greater Wake County employees as others across the State currently use private rental companies on State Contract.

### III. Savings and Costs of the Transition

	Estimated Impact of Eliminating the State Operated Short-term Rental Program		
Agency Impact:			
	Cost impact of private contracts vs. MFM short-term rental program**		\$ 311,260.81
	Savings from renegotiated contract rates		\$ (147,854.85)
	<b>Net Cost to Agencies</b>		<b>\$ 163,405.96</b>
Motor Fleet Management Impact:			
	Annual Short-term Rental Program costs	\$ 1,490,739.56	
	Annual Short-term Rental Program revenues	\$ 1,240,209.38	
	Annual shortfall (cost) of Rental Program	\$ 250,530.18	
	Savings to Motor Fleet Management		\$ (250,530.18)
	<b>Total Savings to State</b>		<b>\$ (87,124.21)</b>

\*\*Does not take into account efforts at DHHS and DPI to establish mini-motor pools using permanently assigned motor fleet vehicles, which will reduce the cost impact.

## **IV. DOA Report on Vehicles**

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**SECTION 27.6.(c) Report on Vehicles Managed. – Beginning on December 1, 2015, and quarterly thereafter, the Department of Administration shall provide a report to the Joint Legislative Oversight Committee on Justice and Public Safety on the status of all motor vehicles managed by the Department of Administration for the Department of Public Safety. The report shall include all of the following information:**

- **The number of motor vehicles managed by the Department of Administration for the Department of Public Safety.**
- **The condition of each motor vehicles, including the mileage on each motor vehicle.**
- **The average amount of time taken to repair or replace a motor vehicle.**
- **The number and condition of any backup motor vehicles managed by the Department of Administration and available for use by the Department of Public Safety, including the location and condition of each motor vehicle.**

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### **The Number of Motor Vehicles Managed by the Department of Administration for the Department of Public Safety and the Condition of Each Vehicle:**

- DOA currently manages 3,193 vehicles for the Department of Public Safety in service as of December 1, 2015.
- Average age of the vehicles was five years
- Average repair cost per vehicle was \$2,306.10. The condition is being assessed by DPS. (cost includes preventative maintenance)

### **The Average Amount of Time Taken to Repair or Replace a Motor Vehicle:**

- Total of 122 vehicles surplused during that time frame.
- Average length of time DPS vehicles were on this list was 286.3 days.
- These are fleet vehicles and each manufacturer time is different and can take from three to seven months on average from order to delivery with some taking over 9 months.)
- Average time for repairs depends on the scope and nature of the work performed.
- Preventative maintenance average within 24 hours (same business day).
- Medium repairs (air conditioning, brake work, etc.) is two to three business days.
- Major repairs (transmission work or engine rebuilds) are completed in four to seven business days.

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**The Number and Condition of Any Backup Motor Vehicles Managed by the Department of Administration and Available for Use by the Department of Public Safety, Including the Location and Condition of Each Motor Vehicle:**

- 108 vehicles in the temporary motor pool at 1915 Blue Ridge Road available for use by any agency, including the Department of Public Safety.
- Average mileage of the current motor pool vehicle is 50,000 miles. (Some are as low as 200 miles or as high as 162,000 miles) These vehicles will no longer be available after the temporary motor pool closes on January 16, 2016.
- We will always have a reserve set of vehicles for emergencies and quick replacements (20-30).
- With our new rental agreements we are able to acquire vehicles for large emergencies quickly and easily.



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# **OTHER MOTOR FLEET IMPROVEMENTS**

**E-SOURCING SAVINGS**

**UTILIZATION ANALYSIS**

**IMPROVED REPLACEMENT SCHEDULE**

**FLEET MANAGEMENT SERVICE**

**FLEET INFORMATION SYSTEM**

**TELEMATICS**

## E-Sourcing Savings Summary (\$ in Millions)

The E-Sourcing Project has identified \$10.37m in annual savings and \$25.73m in three year savings.

Category	Annual Addressable Spend	Est. Savings Percentage	Est. Annual Savings Range	Est. 3 Year Savings Range	Id. Actual Savings Percentage	Identified Actual Annual Savings	Identified Actual 3 Year Savings
Vehicles	\$52.7	1% - 10%	\$0.5 - \$5.3	\$1.5 - \$15.9	10.8%	\$5.69*	\$11.69*
Parts And Svcs	\$17.0	4% - 12%	\$0.7 - \$2.0	\$2.1 - \$6.0	8.5%	\$1.45	\$4.35
Fuel	\$63.5	2% - 4%	\$1.3 - \$2.6	\$3.9 - \$7.8	5.1%	\$3.23	\$9.69
Totals	\$133.2	2% - 7%	\$2.5 - \$9.9	\$7.5 - \$29.7	7.8%	\$10.37	\$25.73

\*One time utilization savings accounts for \$2.7 of the annual savings amount; reoccurring standardization and IFB savings accounts for \$3.0M

# Vehicles: Results Overview

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**The Vehicles Category generated \$5.7 million in identified savings.**

## **Standardization Analysis – \$1.9M savings**

- Standardization savings were achieved by consolidating the total number of specifications for vehicles on contract from 95 to 29
- Expected purchase quantities were then moved from more expensive to less expensive specifications that still met an agency's business need in order to generate savings

## **Utilization Analysis – \$2.7M savings**

- Identified vehicles with utilization (miles driven) below ~50% of the average of vehicles with same/similar function and class
- Worked with agencies to review vehicles to determine rationale for low-utilization and if a sound business case the vehicle remained even if underutilized
- 611 vehicles were identified for potential removal from the fleet for which savings were calculated using maintenance and salvage values for each individual vehicle or by class

## **Vehicles IFB - \$1.1M Savings**

- Awarded Vendors: All awarded vendors are North Carolina based businesses
- Contract consolidation – The total number of contracts was reduced from 3 to 1 for vehicles which improves administrative efficiency
- Multiple Year Contract– A three year contract was established through this effort as opposed to the one year contracts that had been utilized previously. This will improve the ability for agencies to place orders over a greater period of time and remove the administrative burden of rebidding the contract yearly.
- Supplier consolidation – The total number of vendors under contract was reduced from 15 to 6 allowing the State to develop more strategic partnerships with vendors and improving administrative efficiencies
- Vendor Reporting and Administrative Support – Vendors will provide factory invoices and regular reporting, giving the State consistent visibility into purchasing trends.

# Parts and Service: Results Overview

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**The Parts and Service Category generated \$1.45 million in annual savings.**

## **Tires:**

- Contract consolidation – the total number of contracts under management was reduced from 2 to 1 for tires:
  - The total number of tire skus to be purchased was reduced from 780 to up to 220 per vendor
- Account Management – The vendors have identified single points of contact for the account and will conduct quarterly meetings with the State to review performance, sales, and present ideas for continuous improvement.

## **Parts:**

- Contract consolidation – the total number of contracts under management was reduced from 6 to 1 for repair parts;
  - The number of suppliers under contract was reduced from 13 to 4
- Account Management – The vendors have identified single points of contact for the account and will conduct quarterly meetings with the State to review performance, sales, and present ideas for continuous improvement.
- Product Selection – Vendor's full catalogs will be available to the State for purchase, rather than select parts
- Use of Executive Order 50 – EO 50 was utilized to award one of the parts lots to a North Carolina business that was able to match the price of a non North Carolina company that submitted a lower bid that was within the EO50 threshold.

# Fuel: Results Overview

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**The Fuel Category generated \$3.2 million in annual savings.**

## **Diesel Purchases - \$2.6M savings**

- Awarded Vendors: Great Lakes, James River, Jernigan\*, Mansfield Oil, Oakboro\*, Petroleum Traders, Potter Oil\*, Sampson-Bladen\*, Southeastern, Yam City\*

## **Gasohol Purchases - \$0.6M savings**

- Awarded Vendors: James River, Mansfield Oil, Oliver Oil\*, Petroleum Traders, Potter Oil, Red Star\*, Southeastern\*, Springer\*, Yam City\*

\* North Carolina Vendors

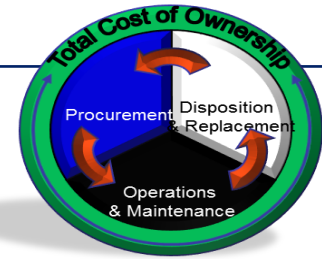
## **Contract Benefits:**

- Contract consolidation – the total number of contracts under management was reduced from 4 to 1 in Diesel and 4 to 1 in Gasohol
- Supplier consolidation – the total number of suppliers under contract was reduced from 14 to 10 in Diesel and 13 to 9 in Gasohol
- Administrative – suppliers will provide quarterly sales reports, providing the State consistent visibility into purchasing trends and allowing the State to be better prepared for future sourcing initiatives
- Statewide award – One lot was awarded using the statewide award option, this option allowed vendors to bid a lower price if awarded the entire State's business for a particular lot better leveraging the State's buying power.
- Use of Executive Order 50 – EO 50 was utilized to award 49 counties within a lot to North Carolina businesses that were able to match the price of non North Carolina companies that submitted a lower bid that was within the EO50 threshold.

# Fleet Management Service Improvement

## What is a Fleet Management Service (FMS)?

FMS companies provide administrative, technical, and technology services to manage fleet assets with an overall objective to reduce the fleet's total cost of ownership. Fleets of all sizes, across all industries, both private and public sectors utilize FMS providers to more efficiently manage fleet operations.



### Potential Financial Benefits

- Reduced cost through improved controls, common processes, and procedures
- Reduction in cost of vendor services by leveraging spend across multiple companies/governments through the FMS's network of maintenance repair providers
- Improved capabilities to conduct vehicle lifecycle planning to lower total cost of ownership
- Ability to make better maintenance and repair decisions based off full cost rates
- Improved warranty claim management
- Improved subrogation management
- Overall 5% - 20% reduction in direct and indirect costs (source: Accenture Benchmarks)
- Savings estimates of over \$500k per year
- Long term savings over \$2m per year with telematics

### Potential Operational Benefits

- Single system of record for all vehicles enrolled in the FMS program
- Improved reporting capabilities to report on fleet assets and transactions
- Reporting dashboards that provide real-time (or near real-time) data to fleet managers
- Telematics that are integrated with the Fleet Information System
- Fuel card integration with the Fleet Information System
- Leading practice upfitting management and optimization across the vehicle supply chain for new orders
- Standardization of maintenance & repair guidelines and schedules
- Management of third party repairs by certified technicians
- 24/7/365 call centers for end users to contact when vehicle issues occur; roadside assistance is also available

# Fleet Management Service

Examples of services offered. NC initial review is for the areas in green.

FMS Service Offerings	Description
<b>Maintenance Management</b>	Management of external vehicle repairs and control of maintenance costs including use of certified technicians, 24/7/365 call centers, network of deeply discounted service providers, consolidated invoicing, auditing, warranty and recalls, roadside assistance, etc.
Vehicle Ordering/Upfitting	Order placement and management through vehicle titling, registration, upfitting, etc.
Document Management	Ongoing management of vehicle documentation such as titles, registration, etc.
<b>Accident Management</b>	Management of accident claims including report generation, contacting fleet management, towing, and subrogation
Vehicle Disposition	Out-of-serving of vehicles and disposition marketing
Driver Education	Training sessions for drivers on topics such as defensive driving, etc.
Fuel Cards	Fuel card administration and associated fuel management services
<b>Fleet Information System</b>	Hosted, web-based fleet management applications that can integrate data from multiple sources and provided real time data with dashboard based reporting to support business needs. Integration with call center, fuel cards, telematics, and in-house garage module.
<b>Fleet Analysis Services</b>	Value added analytical services provided by the FMS to support purchasing, asset allocation, replacement cycles, etc.
<b>Telematics</b>	Automated data feeds to FMS on asset operation and safety and mileage reporting. Joint Legislative Program Evaluation Oversight Committee report of March 14, 2012.

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# QUESTIONS?